

MARKETING VAS INNOVATION (CASE OF KALKULATOR NUTRISI KANU)

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Abstract-VAS (Value Added Services) define as services which are not basic telecommunication services. VAS has become alternative for telecommunication operator in order to gain revenue since the average revenue per user is quite low. VAS industry especially text based services immediately experienced reflux due to several fraud such as pulse stealing, scam, and other form of business model abuse. In October 2011 Indonesia government takes action by deciding moratorium to stop all VAS services business and Telecommunication operator need to restart the services. The moratorium made VAS operator loss all the customer and they need to regain customer. Since that day October were known as Black October for telecommunication operator and VAS player. KANU or Kalkulator built by Creative Indonesia is one of VAS Innovation. Built to help parents in take care of their child food and nutrition. KANU first launch based on mobile content business model and suffered from government moratorium due to fraud of VAS services. Creative Indonesia has to face two challenges. The first challenges come from VAS business environment and second challenge was the fact that they still in introduction stage of product life cycle.

Keywords: Value Added Services (VAS), Innovation, Consumer Perception

1. Introduction

Indonesia's Mobile Market

Indonesia's mobile market has passed 260 million subscribers in early 2012 with penetration running at over 107%. After years of strong growth, the annual increase of mobile subscribers had moderated somewhat by 2012 to around 2% (OVUM, 2012).

VAS Industry

Opportunity to growth is available in all business model in telecommunication industry. One of the business model is to become third layer party of operator such as a Value Added Service maker. VAS has become major alternative in towing a revenue, with majority business model as mobile content provider, which includes content generator, VAS maker, or VAS innovator.

Income from the mobile operator data services for VAS also continue to grow, reaching \$2,8 billion in 2010. The three major player in Indonesia telecommunication industry such as Telkomsel, XL Axiata, and Indosat recorded an average revenue growth at least 4% per quarter. Data services in mobile telecommunication is estimated reach 160 million users in 2015 (Digital Creative, 2012).

VAS can be define as services which are not basic telecommunication services or additional services that will be provided using mobile, internet or fixed line telecommunication services (IAMAI, 2008).

Types of VAS Service include:

- SMS (short messaging service)- Peer to peer and application to peer
- MMS (multimedia messaging service) – sending image, videos, wallpaper, etc
- Bulk SMS (sending greetings, compose one SMS to multiple users simultaneously based on festivals, occasions, promote, sells etc)
- Payment transaction services (Share airtime, mobile recharge, credit notification, mobile money transfer, m-banking)

- Entertainment and Information (video streaming, USSD (Unstructured supplementary service data), CRBT (caller Ring Back Tone), mobile advertisement, polls and contest-voting, location based services (vehicle, restaurant, tracking).

Invention of KANU

Kalkulator Nutrisi (KANU) is a software innovation run as mobile application. Build by team Gatot Kaca from Creative Indonesia Cooperation for purpose enter competition in Microsoft Imagine competition (Imagine Cup).



Figure I. KANU brand element
Source: Creative Indonesia

Kalkulator Nutrisi is a mobile content (based on SMS) which in content provider services industry known as Value Added Services (VAS) and also mobile application that build for helping Indonesian parents to be more knowledgeable about food pattern and food material to feed children and toddlers. Kalkulator Nutrisi will give advice and recommendation every day to parent subscriber based on kalori needs as seen on children physical condition such as weight, height, and age. Kalkulator Nutrisi combining the food and give different recommendation based on nutrition and food data in KANU database, it is not like store procedure which is just input, processing and output. What make KANU as calculator is an artificial intelligent algorithm which made KANU very personal to its user. KANU also already has using standard nutritional requirement that given by WHO.

The purpose of this mobile application and content database is to help and guide Indonesian parents to feed their toddlers and children with good nutrition everywhere, whenever, and easy to access. Another purpose is to help parents know about nutrition condition of their children. Big purpose of this application is to help government in eradicate malnutrition in Indonesia.

Problem in Product Activation

In the beginning, KANU was introduced as a mobile content. Mobile content is considered as most profitable business model rather than any model option available including playing in apps industry. Easy to set up the business, available in premium price, and easy to maintain and handled is considered as major factor which makes this business attractive. Playing in mobile content is easy to set up and easy to quit. VAS Company or third party actor in telecommuniacion industry only provides a source code and the infrastructure required is provide by Telecommunication operator. Even with simple source code such as input and output, content generator or VAS company can make huge revenue reach one billion rupiah per source code. (Haryawirasma, 2012)

This promissing business model did not last long. Since several issue such as scam, pulse stealing, any others fraud make this business model received negative response from Indonesia consumer. Quarter III/2011 can be said as a little doomsday for Indonesia mobile content industry. In this quarter the case of "Sedot Pulsa" has became news headline in Indonesia. The premium SMS services has became scapegoat of pulse robbery. There are two type of premium SMS, first is Pull SMS based on customer

request, only if they asked then the information requested will sent to customer. And second Push SMS, the services based on customer registration (REG).

There are two type of Premium SMS fraud which is fraud via SMS and pull out consumer pulse or take pulse without consumer consent. The modus of section pulse is sending random message which asking for pulse or asking money transfer. Another modus of fraud is the use of confusing message and making consumer unconiously sent reply message which considered as confirm registration.

After got huge attention from media, public, and Commision I of House of Representative, Friday (14/10/11) *Badan Regulasi Telekomunikasi Indonesia* (BRTI) has announced to order 10 telecommunication operator to stop content offering by broadcast SMS, pop screen, or voice broadcast.

For the player of this industry, this regulation or morotarium has caused the telecommunication operator lost its customer database since they begin this industry. According to prediction about more than 70 million users and subscriber of Value Added Services (VAS) or premium services were lost. The regulation followed by stoping any new registration for applying licence to became content provider in Indonesia. Registered in BRTI is minimum requirement to operate content provider company and can cooperate with telecommunication operator with agreement called PKS (*Perjanjian Kerja Sama Dengan Operator*).

The Mobile content industry got shock effect after mass Unregistration in October 2011. and it took some time to recover. Before October 2011, VAS contribute about 5-7% of operator revenue (XL Axiata and Telkom Group). BRTI with clausul number 177/BRTI/X/2011 instructed all operator to stop all services in content offering such as broadcast SMS, Pop Screen, voice broadcast and also they have to stop and deactivate all of premium or value added services.

The regulation made huge impact in mobile content industry and mobile advertising industry. The market size of Mobile VAS or mobile content was estimated to be 5% of telecommunication services revenue, which was about 100 trillion IDR. For mobile advertising, the revenue is 1% of 40-70 Trillion IDR each year which was about 400 billion IDR. If there was no black October tragedy the growth of mobile advertising was estimated to grow arround 30-60% as alternative channel of advertising (Ovum, 2012).

This incident affected the member number of IMOCA, before fraud expossed by media, member of IMOCA reach more than 100 member, after black October the surviving member was less than 20 companies (Haryawirasma, 2012). KANU and Creative Indonesia also affected. KANU had been doing some testing and had planned launch its product around October 2012. Product test market and several roadshow received positive response. Due to October morotarium make all services have to stop by any means.

Creative Indonesia face two problem. First is they are still in introduction stage which is main concern is awareness and to introduce product and services. Second they have to face uncertain business environment. In text based VAS industry the main problem is bad perception of business model among Indonesia consumer. If they put concern in another form of VAS which is in apps industry, the prospect and profitability is not seen yet due to several reason of Indonesia consumer behavior.

2. Research Problem

Problem formulated for this research consist of several question about facing uncertain times in VAS industry:

1. What is consumer profile of VAS today?
2. What is the perception about VAS?
3. What is the VAS often used?

4. What is the factor important to consumer in using VAS services.
5. How to succeed enter the market of VAS industry?

Research purposes

With problem formulation that describe before, so can be said that purposed of this research is to know the profile, perception, and behavior of VAS consumer, and also important factor in using VAS services.

Knowledge in VAS market used by Creative Indonesia in developing suitable strategies to enter the market. Business environment in VAS industry especially in text based services facing uncertain times. Almost one and half years the moratorium and black October passed in the industry still has not recover to back at peak performance. Meanwhile in apps industry still looking for the best form of revenue stream.

This research also purposed to give best alternative for Creative Indonesia in building equity for KANU which still in introduction stage.

3. Methods

Pre Survey method conducted for this research to know big picture in VAS industry also consumer perception about VAS in general. This research also supported by expert interview from Indonesia Mobile Content Association (IMOCA), Telecommunication Operator, and VAS player which underuspices of IMOCA.

The pre survey was conducted to giving description of VAS industry meanwhile Creative Indonesia doing several marketing and activation activities such as roadshow, user interviews, and also testmarket.

4. Result and Discussions

As assessment of survey provides variety results. The result of the online survey are depicted in figure 3 and figure 4.

Consumer perception

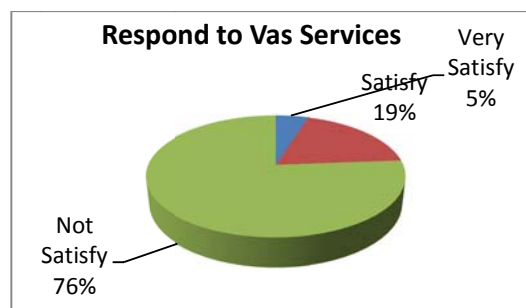


Figure 2: Consumer perception

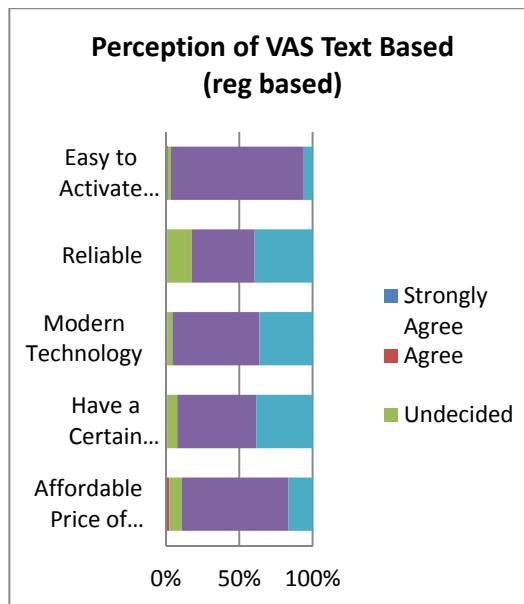


Figure 3: Respondent's perception of VAS (Text based)

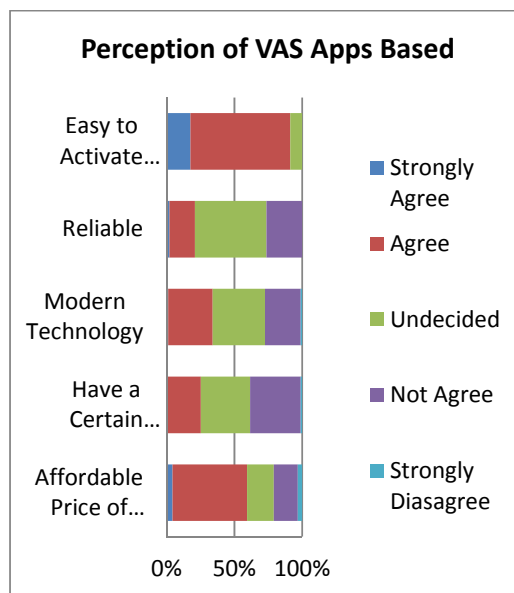


Figure 4: Respondent's perception of VAS Apps based

The survey result shows the consumer perception. There is different response for each survey.

Online survey result show that respondents were not satisfy with VAS services. There is variety input came. One of the possible explanation because VAS is similar or identical with only mobile content business model. As described above mobile content is one of VAS variety of business. Mobile content described as cheap resource business that generate revenue with premium range price even tough the quality of content is not worth.

Positive result show in consumer perception of Apps based at figure 4. Which shown more positive response than text based. Perception from activation, service reability, technology, quality, and service price show that in VAS based on Apps there is positive response for activation and termination for services and also cheap price. Neutral response came from service reability, technology used, and also quality perception.

Different result came from text based as shown on figure 4, almost every item of consumer perception shown negative response. The most negative response is for variable activation and termination of services. Only one percent of respondent agree that VAS services easy to terminate.

Another variable which found more negative result is the price of services. 71,73% of respondent not agree that VAS services of text based is cheap. With range price start from IDR 500 – IDR 3000 is perceived very expensive for Indonesia people compare to regular short message service which price start from IDR 50- IDR 200.

Consumer Expectations

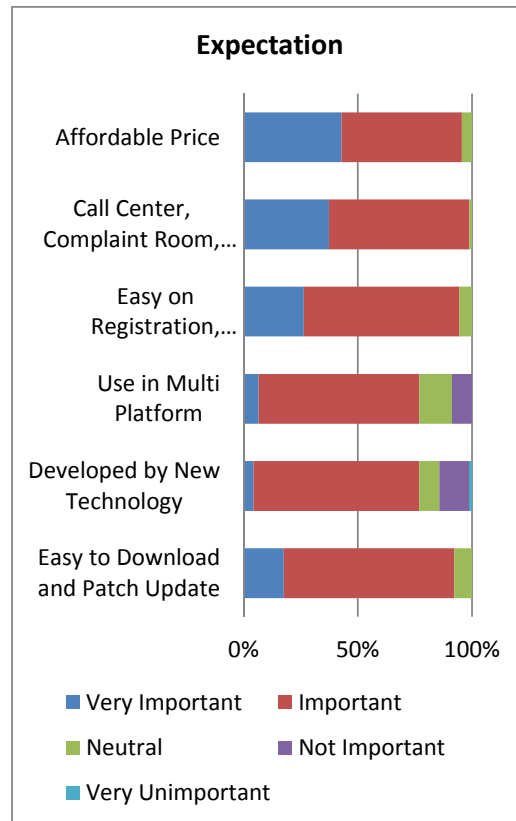


Figure 5: Respondent's expectation
(Survey, 2012)

Expectation of respondent is diverse and a lot in number. Writer pour into six expectation and measure the necessary or significant rate. From degree of significant which is very important is the price of services with 42% of respondent state strongly significant, availability of call center or complaint room at 36,95%, registration and activation process is at 26%, download and patch of services 17,39% of respondent said very important, availability in all platform 6,5%. VAS services developed by new or latest technology at 4,3% of respondent.

5. Conclusions and Recommendation

In previous discussions KANU face two main problems. First they need to face uncertain times in VAS industry, and second KANU and Creative Indonesia still in Introduction stage. In times of economic uncertainty most company thinking of short term sales rather than focus on long term strategy. One of the findings is most VAS maker or content generator failed identify their position in the market and

also they not seek long term strategy. Most company of VAS maker and also telecommunication operator only focus on short term revenue.

They are not try to innovate, delivering new product or new services. Most VAS company only focus in delivering entertainment services such as games, or not useful content. VAS company failed reading consumer needs and wants. There is no company hire research consultant or doing market research. When black october come to stop all services and they need to start over, most of VAS maker cannot recover even tough previous performance is remarkable as low budget company.

VAS company and content need to innovate by creating innovative product of VAS services not only delivering which has been available. The public perception of VAS services not quite good. VAS company need doing several research in order creating new services. Potential income for this industry still quite huge. Cellular phone has became primary needs for majority people in Indonesia. Smartphone sales that reach 27 million in 2012 plus penetration of internet services made opportunity of VAS still open.

For KANU and all VAS product, recommendation that needed in facing uncertain times they have to focus in long term goals not only gain from short term revenue. KANU delivered by Creative Indonesia not only as VAS services but as brand. With long term goals as devices that will reduce malnutrition in Indonesia. In order to fulfill the function as innovation product and also as a brand, KANU need to selecting specific target market if necessary creating a new *niche*. KANU cannot targeting to total market as shown in their marketing plan that they will reach all segments of parents.

Brand consultant firm such as Milward Brown suggested to be creative with media in order to facing uncertain times. Big spending in promotion budget is not an options for Creative Indonesia and mostly of VAS maker. Alternative social media such as facebook, twitter, or even multimedia site like youtube can make a huge success if the product or services well planned with the right marketing strategy. To put and create marketing plan in VAS business environment and introduce new services need to take a caution. Mainly due to reason market is large, still recover, and customers still price sensitive.

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